GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1011
ANSWERED ON:29.04.2016
Value of Rupee
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Will the Minister of FINANCE be pleased to state:

(a) whether there is continuous depreciation in value of Indian rupee in the recent years, if so, the details thereof against US dollar, UK pound and Euro along with the reasons therefor for the last three years;

(b) whether the depreciation in rupee value depleted the country''s foreign exchange reserves significantly, if so, the details thereof; and

(c) the effective measures taken by the Government to arrest the depreciation in rupee value?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) The average exchange rate of the rupee vis-Ã -vis US dollar, UK pound and euro since 2013-14 is given in Table 1 below. During 2013-14, the rupee depreciated mainly on account of elevated levels of current account deficit in India and relatively inadequate capital or financial flows of the stable variety to finance it. In 2014-15, Indian rupee depreciated against US dollar and UK pound by 1.0 per cent and 2.3 per cent respectively and appreciated against euro by 4.7 per cent on account of lower trade and current account deficits coupled with higher capital inflows. The depreciation in 2015-16 of the rupee vis-Ã -vis US$ to the tune of 6.6 per cent largely reflects the general appreciation of the US dollar globally against most currencies. During this period, euro and pound depreciated by 12.5 per cent and 6.7 per cent respectively against US dollar.
Table 1: Indian rupee vis-Ã -vis US dollar, GBP and Euro
(Annual Average Exchange Rate)
Year Rs. / USD Rs. / GBP Rs. / Euro
2013-14 60.5019 (-10.1) 96.3058 (-10.7) 81.1745 (-13.7)
2014-15 61.1436 (-1.0) 98.5731 (-2.3) 77.5209 (4.7)
2015-16 65.4685 (-6.6) 98.7260 (-0.2) 72.2894 (7.3)
USD: US dollar. GBP: UK pound.
Note: Appreciation (+)/Depreciation (-) is indicated in parenthesis in percentage terms vis-Ã -vis the previous year. Source: RBI

While in nominal terms the rupee may have depreciated, in terms of real effective exchange rates which indicate the competitiveness of the economy, the rupee appreciated in 2014-15 and 2015-16.

(b) Foreign exchange reserves have increased in the last three years (Table 2).
Table 2: India's Foreign Exchange Reserves (US$ billion)
end-March 2014 304.2
end-March 2015 341.6
end-March 2016 360.2
Source: RBI
(c) The exchange rate of the rupee is market determined and is impacted by both domestic as well as external developments. The exchange rate policy is aimed at managing excessive volatility and maintaining orderly conditions without having any fixed target or band for the exchange rate. The Government and the Reserve Bank of India (RBI) are closely monitoring the emerging external position including exchange rate of the rupee in nominal and real terms on an on-going basis and are calibrating policies or regulations to support robust macroeconomic outcome.